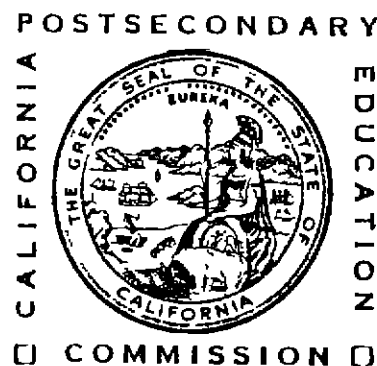


A NEW STATE POLICY ON UNDERGRADUATE STUDENT CHARGES AT CALIFORNIA'S PUBLIC UNIVERSITIES

*Recommendations of the California
Postsecondary Education Commission*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street ♦ Suite 500 ♦ Sacramento, California 95814-2938





COMMISSION REPORT 93-9
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5	\$573	\$1,245
6	\$573	\$1,245
7	\$573	\$1,245
8	\$630	\$1,375
9	\$684	\$1,450
0	\$708	\$1,475
1	\$780	\$1,600
2	\$936	\$2,200
3	\$1,308	\$2,800

A NEW STATE POLICY ON UNDERGRADUATE STUDENT CHARGES AT CALIFORNIA'S PUBLIC UNIVERSITIES



CALIFORNIA
POSTSECONDARY
EDUCATION
COMMISSION

Summary

In Supplemental Report Language to the 1991-92 Budget Act, the Legislature asked the Commission to coordinate an intersegmental review of student fees and financial aid -- including (1) the impact that alternative student fee and financial aid policies would have on General Fund revenues, student access, and financial aid requirements, (2) who should pay what share of the costs of higher education, (3) the relative advantages or disadvantages of raising student tuition compared with maintaining reduced funding for the Master Plan missions of the systems, and (4) "the consequences of all tuition and fee alternatives on the state's historic policies of access, choice, equity, and quality (including breadth of the instructional program, average student time to degree, and total cost of the baccalaureate to the student), with identification of any sub-group most likely to suffer negative consequences as a result "

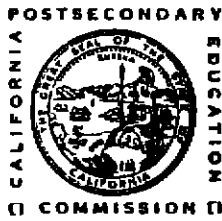
In April 1993, the Commission responded with Report 93-8, *Undergraduate Student Charges and Short-Term Financial Aid Policies at California's Public Universities*, which contained seven preliminary recommendations on those issues. In this current report, the Commission expands on those suggestions and presents a dozen recommendations and eight principles that underlie them. In future reports, the Commission will offer recommendations on student charges and financial aid for the California Community Colleges and for graduate and professional-school students, and it will then propose a long-term financial aid policy for all levels and systems of higher education in the State.

The Commission notes that its recommendations in this report "stem from the economic and political difficulties facing the State" and "do not represent ideal public policy for the State or its public universities, but instead a response to the challenges now facing these universities as they seek to continue meeting the goals of the Master Plan with reduced State resources ". Thus the Commission urges that if the State implements these recommendations, their impact should be reviewed after five years on the possibility that economic and political circumstances could then allow the State "to return to its Master Plan policy goal of providing low-cost higher education "

The Commission adopted this report at its meeting on June 28, 1993, on recommendation of its Ad Hoc Committee on the Financing and Future of California Higher Education. Additional copies of the report may be obtained from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938.

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A NEW STATE POLICY ON UNDERGRADUATE STUDENT CHARGES AT CALIFORNIA'S PUBLIC UNIVERSITIES

Reasons for a new State policy on student charges

AS CALIFORNIA is poised on the edge of the twenty-first century, the demographic and fiscal challenges confronting its educational system are unparalleled

- ♦ The population of the schools is growing at the fastest rate in over 30 years, and the Class of 2000 is expected to be the largest that has graduated from high school in the State's history. Added to this growth in numbers is growth in diversity. Already, no one racial/ethnic group constitutes a majority of California's elementary school population, and by the year 2000 this will be true of the State's potential college students as well. Yet data on the academic progress of students show that the State's schools and colleges are less successful in meeting the educational needs of the fastest growing racial/ethnic groups and of students from low-income families than they are for other students. Providing equitable educational opportunities for these students is not only a moral imperative for California but also a socioeconomic necessity, since on it will rest the continued economic and civic well-being of the State.
- ♦ The last time California was confronted with a burgeoning college-age population, its economy was robust, but now its economic condition is weaker than at any time since the great Depression of the 1930s. For the past three years, the State has been making budget decisions that have resulted in fewer postsecondary opportunities for this current generation of students than for those of the past three decades. Out of every five financially needy students who are eligible for Cal Grant financial aid from the State, only one has been fortunate enough to receive an award. Over the past two years, student fees at both the University and State University have grown by over 60 percent -- despite the State's policy that increases be gradual, moderate, and predictable. For a number of reasons including these, the State University enrolled nearly 40,000 fewer students this past year than past demographic projections estimated it would.

" the basic principles that have guided public postsecondary education in California since the 1960 Master Plan for Higher Education -- wide access, high quality, affordable cost, and opportunities of choice among institutions -- are jeopardized "

As a result, the basic principles that have guided public postsecondary education in California since the 1960 Master Plan for Higher Education -- wide access, high quality, affordable cost, and opportunities of choice among institutions -- are jeopardized. Unfortunately, this danger is not simply a

function of today's hard economic times. Besides more revenues, the State needs a more flexible budgetary structure if its educational institutions are to keep pace with the burgeoning growth in the number of potential students. Even when California recovers from the current recession, without significant changes in the State's budget process, the State will be unable to commit enough resources to ensure that access, quality, affordability, and choice in higher education are available to future generations of its citizens.

Long-term prospects and short-term realities

California would not need a new policy on student charges if it were to enact fundamental reforms in its revenue and expenditure policies -- in particular, repealing or modifying statutes and constitutional provisions that restrict the Governor and Legislature from changing the State's revenue collection mechanisms in order to match the growth in demand for public services. But these reforms would take years to implement, even if agreement can eventually be reached on them. In the meantime, California's young people deserve better than a fee policy driven solely by the State's annual budget deficits.

“the Commission believes that California must develop a realistic policy on student charges that implements, so far as possible, the principles of the State's Master Plan for Higher Education while recognizing the limited amount of resources likely to be available from the State for the support of higher education.”

For this reason, the Commission believes that California must develop a realistic policy on student charges that implements, so far as possible, the principles of the State's Master Plan for Higher Education while recognizing the limited amount of resources likely to be available from the State for the support of higher education.

In 1991, the Legislature encouraged the Commission to rethink the State's policy on student fees when it enacted the first of the recent significant fee increases at the California State University and the University of California. Recognizing that it was beginning to depart from the principles of the Master Plan, the Legislature requested in Supplemental Report Language to the 1991-92 Budget Act that the Commission coordinate an intersegmental review of student fee and financial aid policies in California. It directed the Commission to work with a broad-based advisory committee to analyze the impact of alternative student fee and financial aid policies at the State's public colleges and universities and then to submit recommendations to the Governor and Legislature.

Over the last two years, the Commission has sought to respond to the Legislature's request. It has discussed a series of options and alternative fee policies with representatives of all interested parties that are listed in the appendix to this report, it has developed a series of principles to serve as the basis for its recommendations, and it has completed those recommendations affecting student charges and financial aid for undergraduates at the State's public universities. While it proceeds with its continued analysis of desirable fee policy in the California Community Colleges and in professional schools at the graduate level, it hereby lists those eight principles and 12 recommendations.

**Principle underlying
the Commission's
recommendations**

- ♦ Students, their families, and society share in the responsibility for financing the costs of a college education
- ♦ The State should bear the major share of the cost of instruction at public institutions of higher education because the one factor that truly distinguishes a public institution from a private one is that the government bears the primary responsibility for its operation. To require undergraduate students to pay a majority of the cost of instruction would mean abandoning the public nature of the institution
- ♦ The unique characteristics of public colleges and universities as well as of the students they enroll should be recognized in developing the State's policy on student charges. For example, the California State University and the University of California are fundamentally different institutions in at least three ways -- (1) their unique missions, (2) the past academic performance of their students, and (3) the socioeconomic characteristics of these students. Further, the different missions of the two universities result in differences in their average cost of instruction, with the University's average cost of instruction being significantly higher than the State University's due to its exclusive responsibility for providing doctoral-level instruction. These distinguishing factors should play a critical role in determining their appropriate student charges
- ♦ Student charges should not increase simply to fill the budgetary gap caused by any reduction in the State's General Fund support
- ♦ Increases in student charges should be predictable so that students and their families can prepare for the costs of college attendance
- ♦ Grant aid should be made available to offset any increase in student charges for all financially needy students in order to ensure that educational opportunities are available to all students, irrespective of economic means
- ♦ The State's terminology used to describe student charges -- in particular, *tuition* and *fees* -- should be revised to reflect current reality and allow more effective use of the revenue generated by these charges
- ♦ The original Master Plan principles of access, quality, affordability, and choice should be retained. To this end, the Commission should review the State's policy on student charges and financial aid at least every five years. This review should, among other results, remind the State of its historic Master Plan goals that the Commission continues to support

**The particular
importance
of financial aid**

The Commission considers the sixth of these eight principles -- making grant aid available to offset any increase in student charges for all financially needy students -- significant enough to warrant particular attention and a specific recommendation

“ the State’s financial aid system should ensure that any increase in student charges does not disproportionately affect financially needy students ”

From the Commission’s perspective, the State’s financial aid system should ensure that any increase in student charges does not disproportionately affect financially needy students. This means that funds must be available not only for providing grants or waivers to offset the increase in student charges to financially needy students, but, in addition, for providing information on the cost of college attendance and the availability of financial aid to junior high and high school students and their parents in order that they are prepared both academically and financially for college. Further, funds must be made available to ensure that college and university financial aid offices are adequately staffed to ensure that financially needy students receive the aid they need in a timely manner. Thus, any increase in student charges must also include funding for these financial aid needs if the State wishes to continue to provide access to all students.

Providing an adequate level of student financial aid is a State responsibility and, therefore, the State must provide these monies if it is to fulfill its responsibilities and honor its commitments to provide access to all students regardless of economic circumstances. Expressed differently, the State must provide enough financial aid to preserve access to postsecondary education for those State residents least able to afford the cost of attendance, especially those needy students from backgrounds historically underrepresented in higher education. Further, the State must indicate its intent to provide this aid sufficiently in advance of each academic year so that all students can take advantage of access to its public institutions.

If the State is unable or unwilling to augment its financial aid budget in these directions, this fact should be regarded as an explicit decision by the Governor and Legislature to retreat from the Master Plan’s principle of providing access to higher education for low-income students. Because this decision will disproportionately affect the most financially needy students -- a majority of whom are from backgrounds historically underrepresented in higher education -- the Commission recommends that the public systems augment their own institutional financial aid budgets from institutional resources. It is the Commission’s intent that sufficient funds be provided to ensure that any increase in student charges does not have a disproportionate impact on students from low-income backgrounds who typically came from those racial/ethnic groups historically underrepresented in higher education. In making this recommendation, the Commission recognizes that, if the systems provide financial aid funds from their own resources, these funds will not be available for other purposes.

**Recommendations
for a new State policy
on undergraduate
student charges**

Based on the above principles, the Commission submits the following dozen recommendations -- all of which it deems equally important -- to the Governor and the Legislature for a new State policy on charges for undergraduate students to attend the California State University and the Univer-

sity of California. The Commission emphasizes that these recommendations stem from the economic and political difficulties currently facing the State. They do not represent ideal public policy for the State or its public universities, but instead a response to the challenges now facing these universities as they seek to continue meeting the goals of the Master Plan with reduced State resources.

1 Undergraduate student charges at the California State University should equal no more than 30 percent of the average cost of instruction within that system, with the State bearing the responsibility for funding a minimum of 70 percent of the average cost of instruction within the State University. The reason for this recommendation is the Commission's belief that student charges at the State University must be moderate to enable significant numbers of individuals to complete baccalaureate degree programs, and, in turn, serve as the backbone of California's trained labor force.

2 Undergraduate student charges at the University of California should equal no more than 40 percent of the average cost of instruction within that system, with the State bearing the responsibility for funding a minimum of 60 percent of the average cost of instruction within the University. The reasons for this recommendation are the different socioeconomic characteristics of students at the University and the State University and the Commission's belief that undergraduate students at the University receive slightly more benefits from their attendance there than do students at the State University, and, as a result, they should bear a slightly greater portion of the costs of their instruction than those at the State University.

3 If necessary, student charges in each system should increase incrementally over the next three years such that, at the end of that time, student charges are no greater than the percentages identified above.

4 Given any increase in student charges, the State should increase its budget item for State-funded grant aid by an amount sufficient to fully cover the increase for all financially needy students. (The section below on "Future Plans" notes the Commission's continued work on a long-term State financial aid policy.)

5 To implement the State's current policy that requires increases in student charges to be gradual, moderate, and predictable, after student charges have been adjusted such that at the State University they represent no more than 30 percent of the average cost of instruction and no more than 40 percent of the average cost of instruction at the University, future increases should also be gradual, moderate, and predictable.

- 6** If the governing board of either university determines that student charges must increase after the three-year adjustment period, it should explain its justification for such an increase. Moreover, it should limit any increase in student charges to the lesser of (1) the annual percentage change in the system's average cost of instruction or (2) the average of (a) the annual percentage change in the Higher Education Price Index -- a proxy for the increased cost faced by colleges and universities -- and (b) the annual percentage change in the California personal per-capita income -- a proxy for the additional income individuals have available to pay higher charges.
- 7** In cooperation with the systemwide offices of the State University and the University, the Commission should review the levels of student charges annually to determine the extent to which they vary from 30 percent of the average cost of instruction at the State University and 40 percent of the average cost of instruction at the University.
- 8** In consultation with an advisory committee, the Commission should calculate the average cost of instruction annually, using revenue and enrollment data from the prior year. "Average cost of instruction" should include State, local, and student-generated revenue but exclude all expenditures relating to organized research, public service, teaching hospitals, health sciences instruction, and capital outlay.
- 9** To ensure that the cost of instruction does not dramatically increase in the future, the Commission should continue its work with various advisory committees to identify alternatives that could reduce the cost of instruction while maintaining educational quality. These efforts should be undertaken with the goal of limiting increases in the cost of instruction and hence preventing significant student fee increases as the cost of instruction rises.
- 10** Mandatory systemwide student charges at the State's public universities should be called "tuition" rather than "fees" to permit their most effective use, in that under current California terminology, tuition -- as contrasted to fees -- may be used to support the direct cost of instruction.
- 11** Each public institution should develop a process to consult with students regarding how tuition revenue shall be used.
- 12** The Commission should review the new State policy five years after its initial implementation to consider its overall impact and determine if economic and political circumstances enable the State to return to its Master Plan policy goal of providing low-cost higher education.

Future plans The Commission is in the process of developing a long-term State student financial aid policy, and it anticipates offering its recommendations for that policy in the coming months, as well as recommendations concerning student charges at the California Community Colleges, graduate and professional student charges at the State's public universities and the Hastings College of the Law, and other differential pricing policies for the State's public colleges and universities

APPENDIX Participants in the Commission's Advisory Process

Representatives of the following agencies and organizations have either asked or been invited to advise the Commission staff on issues involved in the Commission's review of student fee and financial aid policy

American Federation of Teachers College Guild
American River College Student Association
Assembly Higher Education Committee
Assembly Office of Research
Assembly Ways and Means Committee
Association of Independent California Colleges and Universities
California Community College Faculty Association
California Community College Student Financial Aid Administrators Association
California Community Colleges Chancellor's Office
California Faculty Association
California Maritime Academy
California State Department of Finance
California State University, Sacramento, Budget Planning
The California State University Student Association
The California State University Academic Senate
The California State University Office of Governmental Relations
The California State University Office of the Chancellor
California Student Aid Commission
California Student Association
Community College League of California
Governor's Office
Governor's Office, Child Development and Education
Hastings College of the Law
Joint Legislative Budget Committee
Legislative Analyst's Office
San Francisco State University
School Services, Arnold Bray and Associates
Senate Budget and Fiscal Review Committee
Senate Education Committee
Senate Office of Research
Speaker's Office, California State Assembly
State Higher Education Executive Officers
University of California Academic Senate
University of California Office of Governmental Relations
University of California Office of the President
University of California Student Association

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor.

As of April 1995, the Commissioners representing the general public are

Henry Der, San Francisco, *Chair*
Guillermo Rodriguez, Jr., San Francisco, *Vice Chair*
Elaine Alquist, Santa Clara
Mim Andelson, Los Angeles
C. Thomas Dean, Long Beach
Jeffrey I. Marston, San Diego
Melinda G. Wilson, Torrance
Linda J. Wong, Los Angeles
Ellen F. Wright, Saratoga

Representatives of the segments are

Roy T. Brophy, Fair Oaks, appointed by the Regents of the University of California,
Yvonne W. Larsen, San Diego, appointed by the California State Board of Education,
Alice Petrossian, Glendale, appointed by the Board of Governors of the California Community Colleges,
Ted J. Saenger, San Francisco, appointed by the Trustees of the California State University,
Kyhl Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and
Frank R. Martinez, San Luis Obispo, appointed by the Council for Private Postsecondary and Vocational Education

The two student representatives are:

Stephen Leshner, Meadow Vista
Beverly A. Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph.D., who is appointed by the Commission.

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933.



A New State Policy on Undergraduate Student Charges at California's Public Universities

Commission Report 93-9

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities. Single copies may be obtained without charge from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938. Recent reports include

- 93-1 *Legislative and State Budget Priorities of the Commission 1993. A Report of the California Postsecondary Education Commission* (February 1993)
- 93-2 *Expenditures for University Instruction. A Report to the Governor and Legislature in Response to Supplemental Report Language for the 1991 Budget Act* (April 1993)
- 93-3 *Faculty Salaries in California's Public Universities. A Report to the Legislature and the Governor in Response to Concurrent Resolution No. 51 (1965)* (April 1993)
- 93-4 *Executive Compensation in California's Public Universities, 1992-93. A Report to the Governor and Legislature in Response to the 1992 Budget Act* (April 1993)
- 93-5 *Status Report on Human Corps Activities, 1992. The Last in a Series of Five Progress Reports to the Legislature in Response to Assembly Bill 1820 (Chapter 1245, Statutes of 1987)* (April 1993)
- 93-6 *The Master Plan, Then and Now. Policies of the 1960-1975 Master Plan for Higher Education in Light of 1993 Realities* (April 1993)
- 93-7 *The Restructuring of California's Financial Aid Programs and Its Short-Term Aid Policy. Recommendations of the California Postsecondary Education Commission* (April 1993)
- 93-8 *Undergraduate Student Charges and Short-Term Financial Aid Policies at California's Public Universities. Recommendations of the California Postsecondary Education Commission* (April 1993)
- 93-9 *A New Policy on Undergraduate Student Charges at California's Public Universities. Recommendations of the California Postsecondary Education Commission* (June 1993)
- 93-10 *A Dream Deferred. California's Waning Higher Education Opportunities. A Statement by the California Postsecondary Education Commission* (June 1993)
- 93-11 *Student Fees and Fee Policy at the California Maritime Academy. A Report to the Governor and Legislature in Response to Supplemental Report Language of the 1992 Budget Act* (June 1993)
- 93-12 *Proposed Establishment of the Vacaville Higher Education Center of the Solano County Community College District. A Report to the Governor and Legislature in Response to a Request from the Board of Governors of the California Community Colleges* (June 1993)
- 93-13 *Major Gains and Losses, 1986-87 to 1991-92. A Report on Shifts in the Popularity of Various Academic Disciplines as Fields of Study at California's Public Universities* (June 1993)
- 93-14 *Fiscal Profiles, 1993. The Third in a Series of Factbooks About the Financing of California Higher Education* (July 1993)